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Programme budget for the biennium 1998–1999

Report of the Advisory Committee on Administrative and Budgetary Questions

Addendum

Second report: Development Account

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General on the Development Account (A/52/1009) submitted pursuant to General Assembly resolution 52/235 of 26 June 1998. During its consideration of the report, the Committee met with representatives of the Secretary-General, who provided additional information.

2. The Committee has limited its consideration to policy issues discussed in the main body of the Secretary-General's report. It has not taken up the annexes at this time. As of the time the Committee finalized the present report, it had not yet received a final copy of the Secretary-General's report on the utilization of the Development Account. The Committee will report on this as and when appropriate, including on such proposals as the Secretary-General may formulate on utilization of savings achieved during the current biennium (see para. 14 below).

3. The Advisory Committee welcomes the fact that a number of its observations and recommendations, as contained in its reports (A/52/894 and A/52/7/Add. 10) have been taken into account regarding the sustainability of the Development Account and the modalities of its implementation.

4. The most important of these observations and recommendations stressed that a true saving from the introduction of efficiency measures is achieved if costs are reduced while the level and quality of service is maintained or further improved. Further, transfer of resources associated with efficiency gains is not a budget reduction exercise, but one of redeployment with the total budgetary amount and related assessments remaining the same both before and after redeployment (see para. 8 below).

5. With regard to the concept of the Development Account, the Advisory Committee notes from paragraphs 3 and 4 of the Secretary-General's report that gains achieved as a result of productivity improvements would become a permanent part of the Development Account. In this connection, the Advisory Committee understands that, as previously recommended by it, funding for the Account would be derived from productivity gains throughout the Secretariat and would not be limited to any one area or activity.

6. As indicated in paragraph 10 of the Secretary-General's report, "the amounts for projected savings will, by definition, be estimates and will not become final until the completion and verification of the productivity exercise(s)". Savings from productivity gains which are

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achieved during budget implementation and reported in performance reports would be transferred to the Development Account and utilized to fund development projects and activities, and not to reduce the level of the budget.

7. The Advisory Committee recalls that, while the Secretary-General in his report of 28 December 1997 (A/52/758) had indicated a cumulative savings of some $200 million by the biennium 2002–2003, the Advisory Committee had considered that target to be overambitious (see A/52/894, para. 7); the General Assembly, in its resolution 52/235, while noting that the amount of $200 million was an indicative target had stated that "no time-frame should be specified for reaching that target".

8. The Advisory Committee recalls that, for the biennium 1998–1999, the General Assembly, in its resolution 52/220 of 22 December 1997, had appropriated an amount of $13,065,000 for the Development Account under section 34 of the programme budget. The Advisory Committee was informed that possible additional savings arising out of efficiency measures amounting to between $5 million to $7 million could be realized during the biennium 1998–1999, should the General Assembly approve the transfer of those resources. As indicated in paragraph 11 of the Secretary-General's report (A/52/1009), for the biennium 2000–2001, approximately $40 million in productivity improvements could be targeted for redeployment. The current projected level of resources by the end of the year 2001 would therefore be some $53 to $60 million.

9. As indicated in paragraph 6 of the Secretary-General's report, once an efficiency gain has been achieved, the relevant transfer, once approved by the General Assembly, would form a permanent part of the maintenance base of the budget section which relates to the Development Account. The Advisory Committee agrees with this and with the procedure outlined under section III, Sustainability, of the same report. However, the Advisory Committee points out, that, in its opinion, this maintenance base should not be re-costed. It is intended that the process of transferring amounts to the Development Account will continue in each biennium until the cumulative base reaches the ultimate level of the Development Account as determined by Member States.

10. In this connection, the Advisory Committee points out that the degree to which efficiency measures can continue to lead to quantifiable resources for transfer to the Account will be affected by a prolongation of the current budgetary constraints. In addition, gains from currency fluctuation and inflation would not be available for transfer to the Development Account, nor would savings that are due to underexpenditure as a result of postponement of activities or inability to carry out approved mandates and programmes. This latter category of savings should be separately identified in performance reports.

11. The modalities for identifying gains and transferring funds are outlined in paragraphs 9 to 11 of the Secretary-General's report. The Advisory Committee agrees with the proposals of the Secretary-General in this regard.

12. The Advisory Committee notes the Secretary-General's comments on the modalities of expenditure from the Development Account, as outlined in paragraphs 16 to 20 of his report. As indicated in paragraph 18 of the report, the Secretary-General recommended a multi-year project concept and that any balance of appropriation for the Account at the end of a biennium be carried forward to the succeeding biennium. The Advisory Committee agrees with this proposal and notes that balances remaining in the Account would be retained for future development projects. However, once transferred into the Account, these amounts would not be subject to currency and inflation adjustment. Information on unspent balances should be supplied in the context of performance reports. On inquiry, the Advisory Committee was informed that, due to the fact that the current biennium was almost half over, it was unlikely that the total appropriated amount of $13,065,000 would be expended during the current biennium and would need to be carried forward to the next one.

13. The impact on staffing levels and delivery of mandated programmes and activities were discussed in paragraphs 12 to 15 of the Secretary-General's report. The Advisory Committee notes that it is not the Secretary-General's intention to involuntarily separate staff as a result of the redeployment of resources, but where necessary, to invest in retraining staff to enable them to take on new functions and responsibilities. It is expected that reductions in staffing requirements in those departments where savings are to be achieved could be met through a combination of redeployment and natural attrition, including retirement. The Committee recommends that comprehensive information on this and other relevant matters be provided in the context of normal reporting procedures, namely, in the proposed programme budget and the performance reports. The Advisory Committee recognizes that, since arrangements for the Development Account are in a transition stage, reporting has up to now been on an ad hoc basis.

14. The Advisory Committee is also of the opinion that consideration of the utilization of savings achieved during the biennium 1998–1999 should proceed on an ad hoc basis.

15. Finally, the Advisory Committee believes that it would make for more clarity if section 34 of the programme budget were not entitled "Development Account", a term which the Committee believes should be reserved for financing, accounting and auditing purposes. Instead, the Advisory Committee suggests that a more appropriate title for section 34 of the programme budget could be "Supplementary development activities".

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Report of the Advisory Committee on Administrative and Budgetary Questions

Addendum

Third report: Analysis of savings resulting from the improved overall cost-effectiveness achieved pursuant to the ninth session of the United Nations Conference on Trade and Development, including the restructuring of the intergovernmental machinery and the reform of the secretariat

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General of 13 May 1998 (A/52/898 and Corr.1). During its consideration of the report, representatives of the Secretary-General provided additional information.

2. In its resolution 52/220 of 22 December 1997 (sect. III, paras. 52 and 54), the General Assembly requested the Secretary-General to prepare expeditiously in consultation with the Working Party on the Medium-term Plan and the Programme Budget of the United Nations Conference on Trade and Development (UNCTAD), a report on proposals regarding savings resulting from the improved overall cost-effectiveness achieved pursuant to the decisions taken at the ninth session of the Conference, including the restructuring of the intergovernmental machinery and reform of the Secretariat and how to reallocate a part of the savings in the 1998–1999 budget cycle, with a view to strengthening the capabilities of the Conference in priority areas, and to submit it to the General Assembly at the first part of its resumed fifty-second session.

3. In its decision 52/462 of 31 March 1998, the General Assembly, having taken note of the overall unspent balance of $9,326,600 from the regular budget for the biennium 1996–1997, decided to allocate an amount of $2.5 million to the Integrated Management Information System for 1998 and an amount of $1.3 million for improving and refurbishing conference facilities, and to retain the balance of $5,526,600 with a view to financing the activities of UNCTAD, as requested in resolution 52/220, taking into account the recommendations of the Secretary-General in that regard. With that decision, the Assembly implicitly waived financial regulations 4.2 to 4.4, according to which appropriations should be available only for the biennium to which they relate. The Advisory Committee cautions that this decision to fund activities after the biennium to which the funds relate has ended would create a precedent and should be avoided. Furthermore, the Committee points out that the $5.5 million in savings is not directly related to the decision taken at the ninth session of the Conference and the reform of the secretariat of UNCTAD.

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4. Upon inquiry, the Advisory Committee was informed that the expenditures incurred for the above three items would be recorded in special accounts and reported in the notes to the financial statement when the accounts for the biennium 1998–1999 were presented to the General Assembly at its fifty-fifth session in 2000. The Committee was also informed that such expenditures would be subject to the established internal and external audit reviews and observations in place for other United Nations expenditures.

5. With regard to the financing of the activities of UNCTAD, the Advisory Committee notes from paragraph 3 of the report of the Secretary-General that the Secretary-General prepared his initial proposals and presented them to the Working Party on the Medium-term Plan and the Programme Budget of UNCTAD.

6. A correction was made to paragraph 4 of the report of the Secretary-General. The Advisory Committee understands that the Trade and Development Board was informed of the comments and recommendations of the Working Party, which were subsequently transmitted to the Secretary-General by a letter from the Chairman of the Working Party (A/52/898 and Corr.1, annex).

7. In connection with the implementation of General Assembly resolution 52/220, the Advisory Committee notes from paragraph 7 of the report of the Secretary-General that "a characterization of the $7,774,200 of 'savings' as due either to the ninth session of the Conference or to the implementation of decision 50/215 [sic] requires a judgement which the Secretariat is not in a position to take".

8. However, upon inquiry, the Advisory Committee was informed that $2 million in "savings" could be traceable to the reduction in the conference-servicing requirements of UNCTAD undertaken as a result of the ninth session. In the opinion of the Committee, that amount should have been reflected in the report of the Secretary-General.

9. The annex to the report of the Secretary-General outlines how the amount of $5.5 million is to be utilized pursuant to General Assembly decision 52/462. The Advisory Committee notes a slight difference between the amount proposed to be allocated ($5,529,000) (see A/52/898 and Corr.1, annex, appendix, table) and the amount retained by the General Assembly in its decision 52/462 ($5,526,600).

10. The Advisory Committee has no objection to the proposals of the Secretary-General and UNCTAD to utilize the amount retained by the General Assembly in its decision 52/462. However, the Advisory Committee recommends that the amount to be utilized should not exceed the amount of $5,526,600.

11. The Advisory Committee notes that an amount of $1,088,000 is being proposed to enhance the expertise of the deliberations of the expert meetings of the Commissions of the Trade and Development Board (A/52/898 and Corr.1, para. 13). The Committee was also informed that while the utilization of the amount of $1,088,000 was based on the assumption that 14 months would be available in the biennium 1998–1999 (for 14 expert meetings), by the time the General Assembly acts on the proposals, the number of months available would be less than 14; it is now anticipated that there would be 10 expert meetings. The Committee was further informed that the savings that might arise as a result of the reduction in the number of expert meetings will be used to increase the number of experts per meeting. In this connection, The Committee was informed that the maximum number of experts allowed at each UNCTAD expert meeting would be 16.

12. The Advisory Committee notes from the agreed statement by the Chairman of the Working Party (A/52/898 and Corr.1, annex, appendix, attachment, para. 2) that the proposals for the financing of experts would not set a precedent regarding the financing from the UNCTAD regular budget of the expenses of experts attending, in their personal capacity, expert meetings convened by the Commissions in accordance with paragraph 114 of "A Partnership for Growth and Development" (see A/51/308). The Advisory Committee was informed that the questions of how the experts will be selected, nominated and appointed were still being negotiated. It is the view of the Committee that there is a need for decisions to be taken so that foreseen activities can be carried out.

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Report of the Advisory Committee on Administrative and Budgetary Questions

Addendum

Fourth report: administrative arrangements for the International Trade Centre UNCTAD/WTO

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General (A/C.5/52/25) and the note by the Secretariat (A/C.5/52/45) on administrative arrangements for the International Trade Centre UNCTAD/WTO. The report of the Secretary-General provides a historical overview of the International Trade Centre (ITC) and outlines the proposals for revised administrative and budgetary arrangements for review, approval, administration and reporting on the implementation of the programme budget of ITC. The texts of relevant agreements on administrative and financial arrangements for ITC are reproduced in the note by the Secretariat. During its consideration of this matter, the Advisory Committee met with representatives of the Secretary-General and of the International Trade Centre. In the spring of 1998, at Geneva, the Advisory Committee also exchanged views with the Chairman and former Chairman of the Committee on Budget, Finance and Administration of the World Trade Organization (WTO) and with the secretariat of WTO and ITC.

2. As indicated in paragraph 1 of the report of the Secretary-General (A/C.5/52/45), the General Assembly, in its resolution 52/220 of 22 December 1997, noted with concern that the arrangements entered into by the Secretary-General with the Director-General of the World Trade Organization in the exchange of correspondence of September 1995 (E/1995/125, annexes I and II) had not yet been transmitted to the General Assembly. In this connection, the General Assembly considered that the agreement between the secretariats of the United Nations and the former General Agreement on Tariffs and Trade (GATT) was still in force until the Assembly reviewed the agreement between the United Nations and WTO.

3. The joint operation of ITC by GATT and UNCTAD was approved by the General Assembly in resolution 2297 (XII) of 12 December 1967 and by the Contracting Parties to GATT. The sponsoring organizations, GATT and UNCTAD, provided overall direction to ITC through the UNCTAD/GATT Advisory Group, membership of which was open to the Contracting Parties to GATT and States Members of the United Nations. Under those arrangements, the United Nations and GATT contributed equally to financing the regular budget of ITC. GATT dealt with administrative and financial matters, and ITC accounts were audited by GATT external auditors (A/C.5/52/25, para. 3).

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4. The legal status of ITC vis-à-vis the United Nations was reviewed in 1973 and 1974 and new administrative and financial arrangements for ITC were agreed upon between the secretariats of the United Nations and the former GATT and reported to the General Assembly. Under the 1974 agreement, ITC is a subsidiary organ of both the United Nations (acting through UNCTAD) and GATT (A/C.5/52/25, para. 4, and A/C.5/52/45, attachments I and II).

5. In accordance with the 1974 agreement on ITC, the Centre applies the Staff Regulations and Staff Rules and the Financial Regulations and Rules of the United Nations, makes use of the support services of the United Nations Office at Geneva, has its accounts certified by the United Nations Controller, audited by the United Nations Board of Auditors and reported to the General Assembly and the GATT Council. Since 1995, the responsibilities of GATT have been taken over by WTO.

6. On 3 April 1995, the WTO General Council requested its secretariat to negotiate with the United Nations Secretariat for revised budgetary arrangements with regard to ITC.

7. On 29 September 1995, in an exchange of letters on relations between the United Nations and WTO, the Secretary-General of the United Nations and the Director-General of WTO agreed, *inter alia*, that the arrangements and practices described in the United Nations General Assembly document of 9 March 1976 (A/AC.179/5) in respect of the United Nations/GATT relationship provide a suitable basis to continue to guide relations between the United Nations and WTO. With respect to ITC, it was agreed to recommend to the responsible intergovernmental organs that present arrangements governing the status of ITC as a joint body be confirmed and renewed with WTO, subject to revised budgetary arrangements as called for by the General Council of WTO (A/C.5/52/45, attachment VI). The recommendations of the Executive Heads was noted by the Economic and Social Council in its decision 1995/322 of 12 December 1995 (A/C.5/52/45, attachment VII).

8. The Advisory Committee notes from paragraph 9 of document A/C.5/52/25 that the revisions of budgetary arrangements called for by the General Council of WTO could be implemented through a series of administrative and technical measures without affecting the policy provisions of the 1974 agreement.

9. In paragraphs 10-12 of document A/C.5/52/25, the Secretary-General proposes new arrangements governing the preparation, review and approval of the ITC budget. Should the General Assembly agree with the proposed approach, the Secretary-General recommends, in paragraph 13 of document A/C.5/52/25, that the General Assembly invite the General Council of WTO to accept the proposed arrangements and timetable for the review and approval of the proposed programme budget of ITC and related budget performance reports.

10. Attachment VIII to document A/C.5/52/45 shows in tabular form the changes proposed by the United Nations on the arrangements concerning the ITC budgetary process and the differences of revised arrangements proposed by WTO and the United Nations. The Advisory Committee notes that, as indicated in paragraph 7 of document A/C.5/52/45, WTO is of the view that the proposals put forward by the Secretary-General in his report (A/C.5/52/25) did not fully address the concerns of WTO.

11. The Advisory Committee is of the view that the current ITC budgetary process and the proposals put forward by the Secretary-General in his report (A/C.5/52/25) do not fully address the need for simplified arrangements, including those called for by the General Council of WTO. Recognizing the special situation of ITC, the Advisory Committee believes that simplified arrangements should be put in place which both respond to the concerns of WTO, as indicated by its General Council in 1995, and retain the role of the United Nations in the financial administration of the Centre. In the view of Committee, starting with the programme budget for the biennium 2000–2001, a simplified procedure could take the following into account:

(a) In May of the year preceding the United Nations financial period, ITC would submit, through the Advisory Committee, to the General Assembly its budget outline for the first year of activities for the coming biennium with a projection of requirements for the second year. The annualized requirements would be presented in Swiss francs (this would conform with the WTO budget process). On the basis of the recommendations of the Advisory Committee, the General Assembly in the spring of that year would approve in Swiss francs the level of the ITC outline for the biennial period concerned. An initial fascicle of the United Nations proposed programme budget based on that outline would be presented to the General Assembly in United States dollars as part of the overall submission of the proposed programme budget, using the same rate of exchange as used for the proposed programme budget as a whole;

(b) Simultaneously, ITC would submit its outline in Swiss francs to the Committee on Budget, Finance and Administration of WTO for its approval;

© Taking into account the legislative decisions of the United Nations and WTO, ITC would submit its

proposed programme budget to the General Assembly and to the General Council of WTO in the autumn of the year preceding the United Nations financial period. The submission to the General Assembly would be in the form of a revised fascicle of the proposed programme budget of the United Nations. To this effect, the United Nations Secretariat through its Budget Division would continue to provide the necessary support to ITC;

(d) The proposed programme of work of ITC would be reviewed by the intergovernmental bodies concerned;

(e) ITC would continue to submit its annual budget proposal in Swiss francs to WTO, in accordance with the established procedures for submission and reporting of the WTO budget and taking into account the approved level of the United Nations share for the ITC budget;

(f) The ITC accounts would continue to be administered by the United Nations, and the ITC financial statements would continue to be certified and reported to the General Assembly and the General Council of WTO by the Controller of the United Nations. The activities of the Centre would continue to be subject to internal audit and oversight by the Office of Internal Oversight Services of the United Nations Secretariat. The related findings would continue to be reported by the Secretary-General to the General Assembly and to the General Council of WTO. The United Nations Board of Auditors would continue to audit ITC accounts and activities, and its findings would continue to be transmitted to the General Assembly, and by the Secretary-General to the General Council of WTO.